

# A Gender Quota

## *Should we have a gender quota for corporate boards in the Pacific?*

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For many women, there is a glass ceiling blocking their aspirations, allowing them to see where they might go, but stopping them from arriving there. In any given occupation, and in any given public office, the higher the rank, prestige or influence, the smaller the proportion of women (Hansard Society Commission report 1990, p.2).

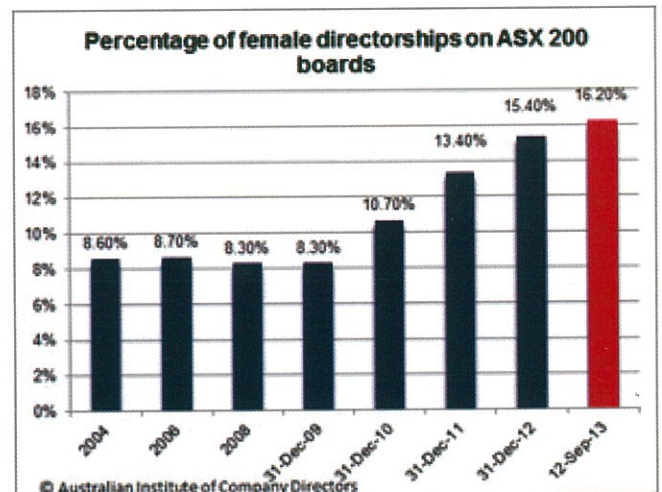
Women have been largely under-represented in senior management and board levels of entities throughout the world. The 2011 Catalyst Census reveals that only 16.1 per cent of women held board seats in the Fortune 500 companies in the United States. To tackle this issue of under-representation, some governments have proposed a gender quota system. Many researchers are supporting this government initiative and are considering the viability of having such a quota in Fiji and the Pacific. The recent publicity on gender diversity has led to several legislations being implemented on gender equality in the workplace. Norway and other Scandinavian countries such as Sweden and Germany have gender quotas in their government and corporate legislation whereby they are trying to achieve gender equality and equal treatment for all women in all works of life.

According to the Australian Institute of Company Directors (AICD), women make up 13.8 percent of directors on ASX 200 boards (May, 2012). The AICD has

strongly opposed the imposition of mandatory quotas on the grounds that they don't work to increase the percentage of female chairs or contribute to any real cultural change (Baldwin, 2012)

Various studies have identified a common problem which hinders women from climbing the corporate ladder. This is termed as the 'glass ceiling phenomenon'. This means that there are invisible barriers which acts as a constraining force and prevents women from reaching the top. For example, family commitments, corporate practises, stereotype perception, discrimination and harassment are some factors that constrain gender equality.

Psychological and management literature has provided evidence that there are differences in the behaviour of men and women. Men have a dominating nature while women are perceived to be respectful towards the males/. In the Pacific, the gender effect is largely an outcome of the social and cultural upbringing. For example, the traditional Fijian villages have a hierarchical system whereby the decision makers are usually chiefs and they are males. Women usually do not have a say in decision making. Similarly, in the Indo-Fijian culture, emanating from the times of the indenture system, men are supposed to be breadwinners for the family and women ought to stay home and look after the children. All decisions are to be made by the breadwinner who is usually the male.



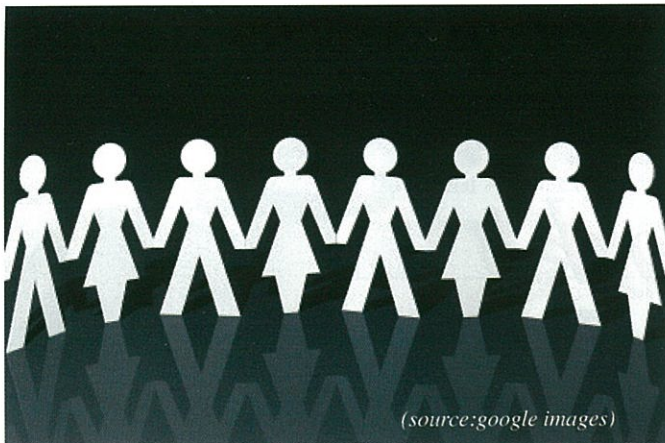
Traditionally, women's role in the Fijian (both Fijian and Indo-Fijian) culture is perceived to be as house keepers and not workers while men's role is to be the breadwinners. According to the website "Fijibure", in the i-taukei culture, women have secondary roles such as household chores, cooking and are left out of the decision making process. Decisions are mostly made by the males who have earned the respect of the villagers. Thus, it can be deduced that in Fiji, people have a perception of women playing a secondary role in the society.

This perception has been followed through to the corporate organisations where predominantly the males occupy the board seats and are involved in the day-to-day decision making. Women are still regarded sub-ordinate and not fit for making corporate decisions. Despite the fact that some females have higher qualification and experience than men, they are still not offered a position at the top level. This could be because of the social and cultural underpinning that men have towards females.



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However, psychological literature shows that men and women differ in some important aspects. For example, women are more risk averse, which impacts on the types of investments they make, while men are thought to have more confidence with money matters (Barber and Odean 2001). Women will make decisions that are not very risky for the company which may sometimes turn out to be good decisions.

Prior research also shows men and women behave differently in the workplace, especially when involved with finance related matters. Women are thought to be more focused on helping people, while men are more concerned with making money and getting ahead in their companies (Bernardi and Arnold 1997; Betz et al. 1989). These studies suggest that women are less likely to engage in unethical behaviour in the workplace to gain financial rewards. For example, Sherron Watkins, who was the Vice President of Corporate Development at Enron, was the whistleblower who helped to uncover the male dominated Enron scandal in 2001.

Recent studies indicate that gender diverse boards are likely to demand higher quality corporate disclosures and hence improve the accuracy of analyst forecasts (Gul et al. 2013). Abbott et al. (2012) also find a significant association between female board presence and a lower

likelihood of financial restatement. Further, Ittonen et al. (2013) examine the association between accruals quality and the gender of the firm's audit engagement partner. Their results indicate that female audit partners may have a constraining effect on earnings management.

The empirical literature on gender and corporate performance have been mixed. While some researchers found evidence that having one or more women leads to better corporate performance, others find no significance of having women on boards. However, none of them found negative results that having women on boards would actually lead to bad corporate performance. Several suggestions have been made to increase the participation of women on corporate boards. One suggestion is the application of a "quota system". There is however an issue with this proposal. When we have quotas, it's also possible that the business may end up recruiting unqualified or inexperienced women who are regarded as 'tokens'. This means, they are just there but do not possess any skills or intellectual abilities to make or contribute to decision making.

There is however, other reasons why participation of women at higher echelons of decision-making is low. Some women prefer not to advance their career and prioritise

their family commitments, attend to family problems and child-care. Most women are also not allowed to work late at nights due to personal security issues. Also, top level managers' careers are obviously very demanding and any board member should show a lot of commitment and hard work which many women are not able to commit.

In construction and engineering industries, women workers are very rare. This is because these professions require hard physical tasks. However, women do dominate the retail and finance sector.

The success stories of leading women CEO's in USA (Marissa Mayer, CEO of Yahoo; Ginni Rometty, CEO of IBM) convey a fact that women are good decision makers and they can lead an organisation to success. In a world where women make up half of the population and in many countries make up half of the workplace, having a relatively small percentage of women as directors seems like a small consolation. A great deal of thought and planning is required in addressing the gender issue on corporate boards.

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